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24 October 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA, DOS AND USAF REVIEW COMPLETED

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SECTION 1 (SOVIET)

1. USSR. Soviet note rejected by US HICOM, Austria: In a new exchange of notes, the US High Commissioner in Austria has flatly rejected the Soviet element's sharp note of 20 October which was in reply to American protests over Soviet confiscation of 500,000 maps prepared by the American Federation of Labor showing sites of slave labor camps in Russia. The Soviet note had vigorously attacked the AFL pamphlet and charged that American authorities in Austria were engaged in the "psychological preparation of the Austrian population for a new war." [REDACTED]

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Comment: The incident of the slave labor maps and the attendant Austrian popular interest has touched a sensitive Soviet nerve. The affair is a phase in the US offensive in the Allied Council regarding the whole record of Soviet kidnappings, censorship, and detentions in Austria.

2. RUMANIA: Jewish immigration to Israel may be cut down: Accompanying an increased anti-Zionist press campaign, Communist Party activists in Rumania are calling on some 3,000 Jewish families awaiting exit visas to explain that "good" Jews do not wish to emigrate and to sell a propaganda program of expanded employment for "good" Jews. A campaign of factory lectures in this vein is also being carried out. [REDACTED]

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Comment: The Rumanian Government's treatment of its Jewish minority closely parallels recent moves of the Bulgarian Government with regard to the emigration of ethnic Turks [REDACTED] It is probable that Rumania also may be finding it advantageous to hold on to all available manpower. In March the Israeli Minister in Bucharest stated that between 200,000 and 250,000 Jews still remained in Rumania, and that if the flow of refugees continued at the same rate, most of them would have been removed from Rumania within three years. However, because of difficulties in securing exit visas, the Rumanian ship Transilvania, which is the only means of exodus permitted by the Rumanian Government, has not been carrying capacity loads in its last few voyages.

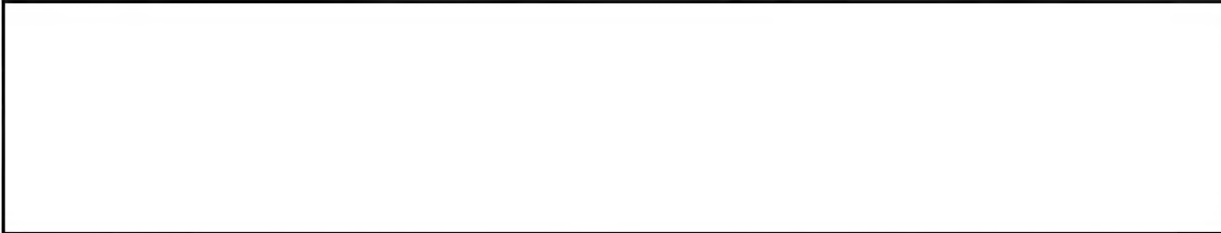
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4. YUGOSLAVIA. Yugoslavs move to gain Western support for "national Communism: According to Party theoretician Djilas, the USSR has brought the word "Communism" into such ill repute that the Yugoslav Government's greatest propaganda task is to convince the rest of the world that communism can be divorced from aggression in order to elicit Western support for the Yugoslav experiment. Ambassador Allen believes that the British Titoist Zilliacus is urging the Yugoslavs in this direction. Allen is inclined to believe, however, that Yugoslav leaders are gradually coming to realize that Communism will never achieve support in the Western world.

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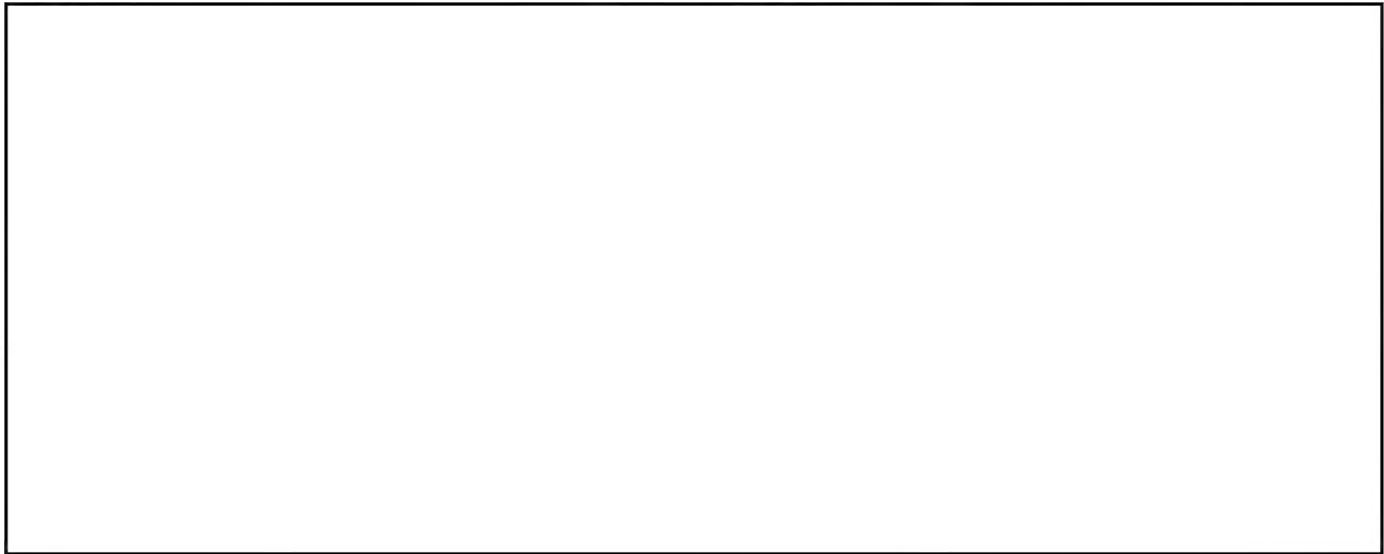
Comment: Djilas' statement is apparently an amplification of his recent complaint to General Collins that US support for Yugoslavia was based primarily on Yugoslav political and military defiance of the USSR rather than on its social and industrial policies. His statements suggest that Yugoslavia may be planning an intensified campaign to obtain greater Western support for its internal policies. It is quite likely that the Yugoslavs will use the Zagreb Peace Congress this week to feature this line by distinguishing between Yugoslav Communism and Soviet imperialism and emphasizing the thesis that equality of nations permits peaceful co-existence.

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SECTION 2 (EASTERN)

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2. PAKISTAN. Government maintains stability: The US Embassy in Karachi reports complete calm prevailing in Pakistan following the assassination of Prime Minister Liaquat Ali Khan. It notes the absence in the press of any incitement to violence and states that an alert of the Pakistani armed services was canceled within two days after the assassination. Finally, the Embassy remarks that the choices of Ghulam Mohammad and Khwaja Nazimuddin as the new Governor-General and Prime Minister are the best possible under the circumstances. [REDACTED]

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Comment: It appears that the Pakistani Government has retained control of the situation for the time being and that there is little immediate danger of war either with India or Afghanistan.

3. BURMA/INDIA. Indian Ambassador belittles Nu-Nehru meeting: According to the Indian Ambassador in Rangoon, no important decisions are likely to be reached at the forthcoming meeting of the Indian and Burmese Prime Ministers. In support of this view, the Ambassador stated that Thakin Nu would confer with Nehru for only two days, while spending five in visiting various religious centers. The US Embassy comments that the general composition of Nu's entourage substantiates these statements, but it points out that Myint Thein, former Ambassador to China and senior member of Burma's diplomatic corps, was included -- presumably to advise the Prime Minister on foreign affairs, [REDACTED]

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Comment: All reports concerning this meeting indicate that important matters will be considered, but that little in the way of concrete action is likely to result.

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4. BURMA. Army Attache comments on Burma's security problem: The US Army Attache in Rangoon believes that Burmese Communists are capable of capturing Mandalay within forty-eight hours. He believes, however, that a more serious threat to the government is the possibility of a Communist attack in the north coordinated with a Karen campaign in the south.
- [REDACTED]

Comment: The Attache's estimate of the vulnerability of Mandalay to Communist capture accentuates the weakness of government forces in north-central Burma. It also emphasizes the necessity of a government rapprochement with the Karens before control of upper Burma is entirely lost.

5. Prime Minister shows optimism in India: Burmese Prime Minister Thakin Nu, currently in India to confer with Nehru, told a press conference that five more years would be required to quell completely the rebellions against his government. He added, however, that the situation was improving and that "the three or four thousand" insurgents were no longer considered a serious threat.
- [REDACTED]
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Comment: These statements offer at least two glaring contradictions. Only a few months ago Nu stated that his "peace-within-one-year-plan" had been 95 percent successful and that henceforth Burmans should shift their efforts "from peace to rehabilitation." As to the seriousness of the insurgency, the Burmese War Office now estimates that there are 18,500 active insurgents, and the Burmese Commander-in-Chief recently admitted that the initiative had passed from his hands to the rebels.

6. THAILAND. Deportees sail for China: On 17 October, 231 Chinese deportees sailed from Bangkok for Swatow. Although 181 of these were criminal offenders, they were given a "royal sendoff" by the Chinese community. The Communists are expected to make additional propaganda use of these deportees when they arrive in China. The US Embassy in Bangkok attributes this approbation to (a) the Chinese belief that the deportees are victims of Thai discrimination, and (b) a desire to gain favor with the Chinese Communist regime.
- [REDACTED]
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Comment: This is the first group of deportees that the Chinese Communists have accepted in some time. It ends the problem for the Thais--until the jails are filled again. While the propaganda the

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Communists may derive from this development will be of little practical value, the prospects of discovering able agents for future use in Thailand certainly must be attractive to the Communist authorities.

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7. Effort to reduce animosity towards police reported: Police Director General Phao has announced that all investigative personnel will soon change to mufti, leaving only the enforcement elements in uniform. Phao himself will henceforth assume a civilian title. One purpose of these changes is "to dispel public notion that the police are becoming an armed service." The US Embassy comments that these actions constitute an official admission of widespread criticism that the police force is a "freewheeling" armed force capable of challenging the army. In addition, the Embassy believes that putting large numbers of policemen in mufti will make them less conspicuous, but probably will improve Phao's secret service. [REDACTED]

8. INDOCHINA. Vietnamese civilians hard hit by military operations: An official of the US Special Technical and Economic Mission reports that an attempt to provide relief supplies to Vietnamese civilians caught up in recent French clearing operations has miscarried, owing to the failure of the Vietnamese authorities to clear the project with the French and owing to the decision of the local French commander to "punish" some 10,000 military-age Vietnamese guilty of passive complicity with the Viet Minh. It was not clear what this punishment was to consist of, but the STEM official saw several thousand of these prisoners in a stockade with no shelter in evidence and, according to local reports, without food for two days. Another STEM official reported that 80 percent of the cases in a hospital at Nam Dinh were civilian casualties of military operations. Both sources report that the depredations of French Union troops have created extreme sullenness among villagers throughout the area, and the sources question the wisdom of associating American relief efforts with these operations. [REDACTED]

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9. De Lattre makes triumphal return: Returning to Indochina after more than two months of consultation in Paris, Washington and London, General De Lattre received the most grandiose reception ever witnessed at the Saigon airport and eloquently reaffirmed his championship of Vietnamese independence. Minister Heath found it significant that banners eulogizing De Lattre remained standing over night, which would not have been the case "a year or so ago." In contrast to President Huu's reception a week earlier, there was little participation by Vietnamese school children and few Vietnamese were seen, although a holiday was declared for banks and business houses--an honor which had not been accorded Huu. [REDACTED]

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Comment: Vietnamese are likely to pay less attention to De Lattre's promises than to the fact that the French authorities in Indochina pay resounding tribute to De Lattre but do not even go to the airport to meet the President of Vietnam.

10. Local Chinese sources view reports of imminent large-scale Communist invasion with reserve: [redacted]
[redacted] believe that the rumored imminent Chinese Communist invasion under General Chen Keng will, if it comes at all, not occur for "some months." Current invasion rumors are attributed at least in part to Viet Minh recruitment of "Tu-Kung" border tribesmen from both sides of the frontier. [redacted] estimate the number of authentic Chinese advisers and specialists with the Viet Minh at 2,000, and the number of Tu-Kung at 10,000. [redacted]

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Comment: A large area embracing much of North Vietnam and South China is inhabited by various tribes which are neither Vietnamese nor Chinese. Viet Minh recruitment from among these tribes has greatly aggravated the problem of determining when and to what extent a Chinese Communist invasion of Indochina can be said to have begun. [redacted]

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11. Ho Chi Minh urges solidarity of yellow race: A Viet Minh broadcast of 18 October in the name of Ho Chi Minh urged Vietnamese not to join Bao Dai's army, reminding them, "You are of the yellow race." [redacted]

Comment: This is the first instance of race-consciousness in Viet Minh propaganda.

12. CHINA. Chiang Kai-shek forbids "irregularities" in Formosan provincial elections: President Chiang Kai-shek, reiterating his determination to "nurture Formosa to full democratization," instructed Premier Chen Cheng on 21 October to take any steps necessary to prevent possible irregularities and frauds in the forthcoming elections for a Formosan Provisional Provincial Congress, according to a Taipei press dispatch.

Premier Chen, who reportedly has initiated the self-government program for Formosa, expressed hope that the voters would not be "cowed by power and influence." [redacted]

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Comment: On several occasions Chiang has expressed his intention to assist and cooperate with American efforts to eliminate corruption in the Nationalist regime. It appears that he has been influenced in this direction by Premier Chen, who reportedly believes that cooperation with the US at this time is the last hope of the Nationalists.

Since the advent of Nationalist control over Formosa, the Formosan people have been agitating for a permanent, popularly elected, representative governing body, heretofore denied them by the Nationalists. This is the first indication that the Nationalists plan to comply with this request. However, neither the principles of election to the body nor the extent of control which the body will exercise is made clear.

13.

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Formosan units formed in Chinese Nationalist Army: The American military attaches in Taipei report that Formosan recruits are no longer being placed in Nationalist infantry units but are receiving specialist training for service in artillery, ordnance, transportation and other special units.

[REDACTED]

Comment: This information is consistent with reports of sizeable numbers of Formosan recruits receiving specialized training.

Such a move, while satisfying long-standing Formosan objections to serving in predominantly Chinese units, will also prevent the formation of any large bloc of Formosan soldiers.

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Prices on Formosa go up: The cash deficit resulting from the heavy military expenditures of the Nationalists come to 60 percent of all government expenditures on Formosa. The consequent strain on the economy is evidenced by the inflation of prices; retail prices in August were 24 percent higher than at the beginning of the year. As a consequence of the increase in prices, there is less inducement to save, the government finds it difficult to borrow, commodities are being hoarded, and interest rates have gone up with an attendant discouragement to productive investment. The ECA office in Taipei observes that the situation dampens the effectiveness of ECA aid.

[REDACTED]

Comment: The Chinese Nationalists, remembering the inflationary spiral which cost them public support on the mainland, are genuinely concerned over the upward trend of prices on Formosa. On the whole, the Nationalists are proving themselves fairly proficient in avoiding another inflationary spiral in the face of the currently large government deficits. Prices are rising but are not running away. A continuation of the government deficits, however, would inevitably force a resort to paper money issues. The situation will remain precarious as long as the budget is so greatly out of balance.

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15. KOREA. Communists designate new officers for truce talks: On 22 October the Peiping radio announced that the "Chinese People's Volunteers" in Korea had designated General "Pien Chang-wu" to replace General Tung Hua on the truce team. It was further announced that General "Chen Du kon" of the North Korean Army would replace General Chang Pyong-san. [REDACTED]

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25X1 Comment: No information is available on either of these replacements. It may be speculated that the North Korean general is a staff officer, inasmuch as most North Korean military unit commanders have been identified by prisoners of war.

16. Inflationary prices and wages in ROK leveling off: Although wages and prices in the ROK continued to rise during September, the rate of increase was considerably less than during the spring and summer of 1951. This was apparently due to a "serious effort on the part of the Korean Government to stop inflation through (a realistic) fiscal policy," according to US economic advisers.

25X1 The retail price index for 12 October averaged 3.4 percent higher than that of the previous month, but two items--fuel and gold--decreased in price. Another heartening sign is that there would have been a decrease in currency issue had there not been a won advance to the UN forces. With the 12,500,000 dollars given to Korea as partial settlement for previous won advances to UN forces, US, UN and ROK officials are currently "working on plans...to decrease won in circulation...." [REDACTED]

Comment: This is the first encouraging note on South Korean inflation that has been detected since the beginning of the war. A continuously strenuous effort, however, will have to be made to preserve any advances made in bringing runaway inflation under control.

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SECTION 3 (WESTERN)

1. GERMANY. Soviet harassment in Berlin viewed as move to speed shipments to East Germany: American officials believe that the continued Soviet harassing of West Berlin is probably aimed specifically at the East-West German talks scheduled to begin on 23 October on iron and steel deliveries. East German press and government circles have violently accused the West Germans of delaying tactics in the current series of East-West German discussions on implementing the trade pact.

25X1 US authorities suggested that the 23 October talks be postponed, and no agreement be reached with the East Germans until they actually abandon various harassing measures as agreed at the time of the signing of the trade pact. So far the British and French continue to show reluctance to take such strong counteraction. [REDACTED] 25X1

Comment: Twice in the past week, the USSR rejected large numbers of West Berlin export permits. French and British reluctance to take counteraction may arise partly from the belief that the effect on the Berlin economy of the various harassing measures has not been extremely serious, as well as from a general unwillingness at this time to challenge the Soviet right to control Berlin exports.

2. FRANCE. Deteriorating French financial situation threatens NATO interests: The US Ambassador in Paris is "increasingly concerned" over the deteriorating French financial situation and over the "prevailing resentment" of French officials because of the delay in holding US-French talks on assistance. The Ambassador proposes immediate consideration of interim assistance pending the completion of a NATO committee analysis, and urges that the proposed talks begin at once, since uncertainty on the type and extent of aid will force the French Government into actions "that may well be injurious to NATO interests." [REDACTED] 25X1

Comment: France wants definite US commitments as a basis for defense expenditures under the 1952 budget. Because of unfavorable economic trends in France and the probability of early devaluation of the franc, it now seems increasingly unlikely that France will be able to meet its defense commitments.

3. AUSTRIA. SHAPE opposes approach to Austria on military plans: The Commanding General of US Forces in Austria has been advised by SHAPE of its concern that any approach to the Austrian Government with respect to an Austrian military contribution in the event of hostilities might compromise the

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security of Western defense plans. Any disclosure of an intention to include Austria in Western planning would provide the USSR with a propaganda weapon on the occasion of the reconvening of the Austrian treaty deputies. Furthermore, an approach to the Austrian Government would appear to require prior Anglo-French approval on a diplomatic level. [REDACTED]

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Comment: Vienna, under four-power occupation, does not provide sufficient safeguards for the protection of high military plans. Soviet-sponsored and Communist newspapers have already charged that Western occupation forces in Austria receive their commands from General Eisenhower. An approach to the Austrians now on military plans could jeopardize the chances for conclusion of a state treaty, which is the prerequisite for any substantial Austrian contribution to Western defense.

4. Austrian manufacturers deliver embargoed ball bearings to Poland: The US Legation in Vienna reports that the Steyr works delivered to Poland 100,000 dollars worth of embargo-type ball bearings during the months of August and September and will deliver a large quantity of such types during October. Deliveries of embargoed items constitute 50 percent of total deliveries for the first two months and far exceed the quota governing such shipments.

The Austrian Foreign Office asserts that the excessive deliveries were necessary because Western orders had absorbed Steyr capacity in non-embargo types, and the filling of Polish orders was necessary if Polish coal is to be received.

The US Legation shares the concern of the Austrian Government that Polish coal will be cut off unless Austria meets its total commitments and approves a still-pending contract involving further large shipments of embargo-type bearings. [REDACTED]

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Comment: Pending a survey of alternative sources of coal, the Austrian Government and the US Legation agreed last August that the Austrians might accept sufficient ball bearing orders to persuade the Poles to begin coal deliveries — with the stipulation that only distant delivery dates would be authorized and that actual embargo-type deliveries would not exceed 10 percent of the total. Grave political repercussions will probably result if there is a failure of coal deliveries during the winter months.

5. ITALY. Italians seek to continue duty-free status of Libyan imports: The Italians are seeking a waiver from the General Agreement on Tariffs and Trade signatories, authorizing Italy to continue temporarily the present preferential customs on Libyan imports after Libya attains independence. Under the present system, Italy allows practically all imports from Libya

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to come in duty-free. Libya, however, does not grant such a preference to Italian goods. The Italians have made this offer as their contribution to assist Libya's economy during its initial period of independence.

The French, Belgian, and Dutch GATT delegates have supported the Italian position, while the British are awaiting instructions from London. In the meantime, the Italians have indicated that they will not present their request unless they are given prior assurance that they have US support.

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Comment: The Italians are interested in preserving a substantial economic interest in Libya and this is one way of achieving it. The fact that over one-third of Libya's 1950 exports went to Italy indicates the extent of Libyan economic dependence upon Italy. However, the uncertain status of Italians in an independent Libya may cause an exodus of Italians and thus alter the present trade pattern between Italy and Libya.

6. Italy seeks council seat in UN Food and Agriculture Organization:
The US Embassy in Rome advises that the Italians are likely to be increasingly insistent that the US support their candidacy for membership in the executive council of the Food and Agriculture Organization. The Embassy points out that failure of Italy to acquire a council seat, after its huge outlays for an FAO headquarters in Rome, would place another weapon in the hands of extremist critics of the Italian Government. The Embassy urges further that "fullest possible Italian participation in FAO and other specialized agencies will encourage Italian support of the UN at a time when Italy's continued exclusion from membership is an important political issue."

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Comment: In addition to the fact that Italy's agriculture problem is one of its greatest concerns, the fact that the Italian Government has not yet been admitted to the UN makes it particularly anxious to show the public that Italy nevertheless has strong participation in UN-sponsored organizations such as the FAO.

7. Communists threaten large-scale general strikes: In connection with the Communists' plan for wide-scale "economic" strikes on the wages issue, the leadership of the Communist-dominated Labor Confederation (CGIL) has decided to demand general wage increases of about 15 percent, according to a speech by CGIL chief Di Vittorio at a meeting of the organization's directing body. He told the meeting that the CGIL hoped to win increases "without conflict" through negotiations with Confindustria, the industrialists' organization, but that if the negotiations failed the workers would "concentrate forces, thus unleashing those battles which would become necessary."

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Comment: It is improbable that the CGIL will be able to carry out large-scale, general strikes without the support of the anti-Communist unions. The latter have announced their opposition to Communist demands for general wage increases to offset the rise in the cost of living, and are advocating instead a reduction in the cost of living. If no reduction is effected, the anti-Communist unions might support the CGIL in short, general strikes.

Meanwhile, the CGIL, in view of its success during the last year in negotiating wage increases, may be able to secure further concessions from Confindustria through bargaining. CGIL success in either negotiations or in strike action would enhance CGIL prestige among labor at the expense of the anti-Communist unions.

- 25X1 8. SWITZERLAND. Stockpiling program near completion: Swiss foreign trade figures in September showed an export surplus for the first time in two years. Contrary to the normal seasonal trend at this time, imports continued to decline. [REDACTED]

Comment: A temporary surplus in monthly foreign trade figures is an occasional phenomenon in Swiss foreign trade. However, a number of reports have indicated that the stockpiling program has proceeded satisfactorily, in many cases to the levels established for the present. The Swiss may also anticipate a decline in world market prices, and this may have led to the reduction in purchases.

9. UNITED KINGDOM. London Times and Manchester Guardian give their support to Conservative Party: Two days before the 25 October general election, The London Times and the Manchester Guardian, two of the most respected independent daily newspapers in Britain, have swung their support to the Conservative Party. In leading editorials both newspapers stated their belief that Labor Party policies no longer serve the country's best interests. In the 1950 general election, the Guardian supported the Labor Party, while the Times remained neutral. [REDACTED]

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Comment: The decision of these influential papers will likely persuade many Liberals who had intended to abstain from voting as well as many of the still undecided independents to support the Conservatives. The critical Liberal vote should be especially sensitive to the views of the Guardian, which, though nominally independent, has a long Liberal tradition.

10. ARGENTINA. Foreign Minister has offered his resignation: Foreign Minister Jeronimo Remorino has offered his resignation to President Peron as a result of a disagreement with administration economic policies. Informants

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25X1 say that it is unlikely that any action will be taken on the resignation until after the 11 November presidential election. [redacted]

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11. USAF mission contract will not be renewed: The new Air Minister has advised the Chief of the USAF mission to Argentina that Argentina is not renewing the contract for the retention of that mission. Reasons given by the government for this decision include "readjustment of staffs and organization of the Argentine Air Force" and "the requirement no longer exists." Arrangements are now under way to transfer personnel and equipment.

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The US Embassy in Buenos Aires states that this action of the Argentine Government appears to be another anti-US political move. The Embassy believes that the Argentine Air Force would have preferred to retain the mission.

12. PANAMA. Influential newspaper suggests Panama take lesson from Suez and Iran situations: The sensational and influential daily La Hora claims that Iran has demonstrated, as did Mexico, that confiscation does not engender reprisals. It reports, moreover, that the Suez agitation has resulted only in the suggestion that the UN purchase the Suez Canal with Egypt having a voice in the management; it says that now is clearly the time for Panama to agitate for concessions since its situation in relation to the Panama Canal is parallel. La Hora asserts that the US is too preoccupied with the cold war to desire conflict with a small ally, and also that the US would fear that the USSR could effectively play up such a conflict in its propaganda. [redacted]

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Comment: La Hora is a noonday Panama City tabloid. It is controlled by ex-President Harmodio Arias, who is the older brother of ex-President Arnulfo Arias and one of the most influential men in Panama.

13. VENEZUELA. Government quells new series of disorders in Venezuela: A second series of disorders, described by the Venezuelan Government as a new revolt by Democratic Action and Communist elements, was put down on Sunday by federal troops. The government announced that armed civilians stormed an

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officer's training school and bombed several radio stations, while a clandestine radio broadcast news of the uprising and urged the public to participate. The oil fields, where Democratic Action influence is strong, apparently continue quiet.

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In a Havana interview following the incidents, Romulo Betancourt, leader of the Democratic Action forces in exile, denied that his followers condone violence as a political instrument, but warned that "Venezuela is a volcano in eruption and there will be no public peace while the dictatorship lasts."

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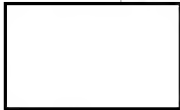
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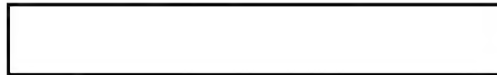
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SECTION 2 (EASTERN)

1. CYPRUS. Middle East Command a target of Cypriot Communists: Increased Communist activity on Cyprus is designed not only to create unrest and embarrass the British but also to create the impression that Cyprus is politically unsuitable for the Middle East Command Headquarters. The US Consul on Cyprus, who expressed the above opinion, reports that the Communist Party and the Nationalist Party are both renewing agitation for the union of Greece and Cyprus.

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Comment: The recent visits of British and American military missions and the Egyptian refusal to participate in the Middle East Command have resulted in widely spread rumors to the effect that Cyprus will become a major Western base. The Cypriot Communists have long campaigned for the union of Greece and Cyprus, an issue on which they can gain the support of most Cypriots and most Greeks.

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